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Message Text

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73
ORIGIN EB-07

INFO OCT-01 EUR-12 EA-06 IO-10 ISO-00 AID-05 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02

STR-04 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 L-03 /069 R

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EUR/RPE BRESLER
COM :DAUMAN
STR:ELAPP
TREAS CHAVES
---------- 111518
R 280445Z JUN 75
FM SECSTATE WASHDC
TO USMISSION GENEVA
USMISSION EC BRUSSELS
INFO USMISSION OECD PARIS
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LUXEMBOURG
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY OTTAWA
AMEMBASSY TOKYO
USDEL MTN GENEVA

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E.O. 11652: N/A

TAGS: ETRD, EC

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SUBJECT: EXPORT INFLATION INSURANCE

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REF: EC BRUSSELS 3827

1. ABBOTT OF DG I, WHO ACCOMPANIED GUNDELACH ON HIS VISIT TO WASHINGTON, MET AT HIS REQUEST ON JUNE 26 WITH DEPARTMENT OFFICERS WHO DEAL WITH EXPORT INFLATION INSURANCE. ABBOTT INFORMED US THAT THE COMMISSION IS PREPARING TO MOVE AGAINST THE FRENCH, ITALIAN, ANDUK INFLATION INSURANCE PROGRAMS, WHICH IN COMMISSION'S VIEW VIOLATE THE TREATY OF ROME. HE THOUGHT THE COMMISSION WOULD BE READY WITH ITS LEGAL POSITION BACKED BY COMMERCIAL POLICY ARGUMENT AFTER THE SUMMER HOLIDAYS.

2. ABBOTT SAID THE COMMISSION'S JOB OF LINING UP INTERNAL AND MEMBER-STATE SUPPORT FOR THEIR POSITION WOULD BE MADE MUCH SIMPLER IF WE AND OTHERS WERE TO LIE LOW IN THE GATT. IF THE MATTER WERE RAISED THERE FORMALLY, THE COMMISSION WOULD EITHER HAVE TO DEFEND THE SCHEMES NOW IN EFFECT EVEN THOUGH THEY PLAN TO ATTACK THEM LATER, OR OPPOSE THEM PREMATURELY. WE REPLIED THAT WE HAD MADE OUR STATEMENTS IN THE GATT COUNCIL IN ORDER TO PROTECT OUR FUTURE GATT RIGHTS SHOULD ATTEMPTS TO DEAL WITH THIS FORM OF EXPORT SUBSIDY IN THE MTN AND ELSEWHERE NOT PRODUCE RESULTS. WE PLANNED NO FURTHER GATT MOVES IN THE IMMEDIATE FUTURE RE THE EC MEMBER STATE PLANS, BUT WOULD CONTINUE TO EXPRESS OUR OPPOSITION IN THE GATT SHOULD OTHERS ADOPT INFLATION INSURANCE.

3. WE TOLD ABBOTT THAT WE WERE CONCERNED OVER REPORTS THAT THE JAPANESE AND THE CANADIANS WERE CONSIDERING INSTITUTING THEIR OWN INFLATION INSURANCE PLANS. WE TOLD HIM THAT WE HAD MADE REPRESENTATIONS IN BOTH CAPITALS POINTING OUT THE DANGERS THE FURTHER SPREAD OF INFLATION INSURANCE HELD FOR WORLD TRADE AND FOR THE TREASURIES OF NATIONS WHO ADOPTED IT.

4. ABBOTT OFFERED TO INFORM THE JAPANESE AND CANADIAN DELEGATIONS IN GENEVA OF THE COMMISSION'S PLANS AND TO INDICATE THAT ADOPTION OF SUCH SCHEMES ON THEIR PART WOULD COMPLICATE THE COMMISSION'S EFFORTS TO HAVE THE LIMITED OFFICIAL USE

EC MEMBER STATES SCHEMES REMOVED. WE NOTED THAT THIS WOULD BE MOST USEFUL, AS IT WOULD BOLSTER THE ARGUMENTS OF THOSE IN TOKYO AND OTTAWA WHO OPPOSE ADOPTION OF INFLATION INSURANCE. ABBOTT SAID HE WOULD DISCUSS THIS WITH BRUNGART UPON HIS ARRIVAL IN GENEVA.

5. MISSION GENEVA SHOULD ENCOURAGE ABBOTT TO MAKE THE OFFERED APPROACHES TO THE JAPANESE AND CANADIAN DELEGATIONS.

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WE WOULD APPRECIATE CONFIRMATION THAT THESE APPROACHES ARE MADE.

6. USEC IS REQUESTED TO GIVE US THEIR ASSESSMENT OF THE COMMISSION'S LEGAL CASE AND THE PROSPECTS FOR ITS SUCCESS.
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Disposition Date: 28 MAY 2004
Disposition Event:
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Disposition Remarks:
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